FRIDAY GROUP

At the initiative of the King Baudouin Foundation

A report to the King Baudouin Foundation

Beyond GDP: towards a country where life is really good

Naïm Cordemans, Benoît Decerf and **Ferdi De Ville**

October 2013

Beyond GDP: towards a country where life is really good

The Friday Group aims to make recommendations for societal progress in Belgium. This report is an exercise in thinking about the fundamentals of that objective: how do we define societal progress, or well-being? And, after having come up with a definition, how is Belgium doing?

Despite broad recognition that gross domestic product (GDP) is an inadequate indicator for well-being, it is still central in political and public discussions. This report first summarizes what GDP is and its flaws as an indicator of economic and societal progress. Second, it argues that a complement to GDP that measures sustainable well-being should be developed to encourage better development, evaluation and adjustment of policies aimed at maximizing well-being and foster better-informed public debate on desired directions of our society. Finally, it presents an impression of how Belgium is really doing on some selected indicators of well-being.

*Naïm Cordemans**
*Benoît Decerf**
*Ferdi De Ville**

* Special thanks to Professor Isabelle Cassiers for providing numerous insightful remarks and constructive criticism on a preliminary draft of this report. We also thank Professor André Sapir, Alexi Walckiers and Professor Micaël Castanheira for their valuable comments. Finally, our sincere gratitude to the members of the Friday Group and all the friends that contributed in various ways to this report. All errors and mistakes remain ours.

Executive Summary

Gross domestic product (GDP) has come to be the ultimate indicator of how well a society is doing. However, this has never been its intended purpose – and for good reasons. GDP has major flaws as an indicator of societal progress. While being a good indicator for market production flows, it has limits in measuring material living conditions and fails to take account of several factors that should be considered important aspects of societal and individual well-being: sustainability, equality, health, leisure time, social cohesion and green spaces – to name just a few.

Recently, the search for alternatives or complements for GDP has gained momentum. The multiple crises we face today – economic, social, climatic and democratic – oblige us to be more precise about what society should aim for. As "what we measure prescribes what we do", better politics starts with a better definition and measurement of sustainable well-being, which the Friday Group considers should be the ultimate goal of politics.

Belgium does not have to start this search from scratch. Belgium can learn from and participate in ongoing international initiatives. In Belgium, especially in the Walloon Region, promising work has recently begun. Data that could be components of a well-being measure are already being collected at different levels and by different agencies or departments. However, adequate structures are needed to bring these data together at the same, regular, intervals and to integrate or aggregate them.

As an example, this report presents the Better Life Initiative of the Organisation for Economic Co-operation and Development (OECD) as an inspiring attempt. Using this "dashboard" of indicators as well as other data, the report presents a rough assessment of well-being in Belgium. This example helps to illustrate some difficult decisions that will have to be made in developing an index of well-being.

Based on the analysis in this report, the Friday Group makes the following recommendations:

- GDP should not be the ultimate objective of our politics. Sustainable well-being, taking into account non-material dimensions of well-being, inequality and sustainability, should be the guiding aim of society, informing public policy and public discourse.

- An alternative indicator that better measures material living conditions, such as real net-adjusted disposable income, should also be reported by our governments and media when assessing the material progress of our country and regions.

- Society should decide how to define well-being and what dimensions should be included in the definition. A group of experts should initiate a broad reflection, allowing for a large consultation with civil society and various interest groups.

- Indicators for these other dimensions of well-being should be developed by the federal and regional governments using the same quality and frequency as for income, as has recently been initiated by the Walloon Region.

- Complementing measures of material well-being with relevant non-material measures is insufficient. Attention must be given to the level of inequalities, inside the current population or between different generations. This means that the distribution of individual well-being must be measured and the sustainability of our well-being must be ensured.

- An expert group should decide on the best way to complement GDP with a well-being index. We identify three non-exclusive options: (i) corrected GDP so as to reflect well-being, (ii) a new synthetic indicator, and (iii) a dashboard that includes national accounts indicators that keep dimensions separated. As the first two are faced with many challenges, we advise starting with the third approach. The governments and media should report on this new indicator/dashboard to change the discourse on the progress of our society.

- A user-friendly "well-being in Belgium" website should be developed, that allows citizens to quickly find how Belgium is doing in well-being in general, in its various dimensions and in specific indicators. Better measurement serves two objectives: better policy design and more informed democratic debate.

Introduction

If we ask a friend how she's doing, we don't expect her to reply: "Fine. My output increased 3% this year." We look forward to hearing if she is in good health, how her children are doing in school, if she is enjoying her job and how she is spending her leisure time. Likewise, we would be shocked when going to a doctor for a complete check-up and receiving as response: "Good. You have grown. Next patient." We would be astonished to reduce the answer of how a friend, let alone our own health, is doing to market output. Why do we evaluate a country's performance on such a limited basis?

This is what we have largely been doing since World War II. In politics, in the media and with the general public, gross domestic product (GDP) has been the ultimate criteria to assess a country's performance.

GDP has some major flaws. It takes into account the fuel we use when sitting in a traffic jam, but not the hours we enjoy serving as a volunteer. GDP might encourage depleting the forest for lumber, without considering the cost to the ecosystem. GDP does not capture the improvement in the quality of the public services we receive and it does not take into account the distribution of resources. Neither does it say anything about the sustainability of a country's production system. Besides, more production and income does not necessarily make us happier.

It is not unreasonable to assume that many people would prefer living in country A where GDP per capita is €30,000; wealth is not fundamentally unequally distributed; people work on average 1,500 hours a year, enjoy 25 days off, and live more years in a healthy condition; there are many green spaces and the environment is clean thanks to a green production system; and people spend much time doing voluntary work. Rather than being a citizen of country B, where GDP per capita is €40,000, but 10% of the population gets 50% of the resources; people work more hours, have fewer days off and average health and life expectancy are lower; a dirtier production system causes bad air quality and polluted parks; and people have less time and energy for social interactions. Nonetheless, when comparing the 'performances' of countries such as A and B, we often only consider GDP per capita.

With this report, the Friday Group wants to stimulate the debate in Belgium on redefining well-being and societal progress. This report is not only directed at politicians, statistical experts and other government officials. It is also aimed at the media and the general public. We want to help bring important ongoing international work on how to redefine and better measure well-being to broader attention in Belgium.

In chapter 1, we consider the shortcomings of GDP and shed light on ways to appropriately measure well-being. In chapter 2, we summarize international initiatives aimed at better well-being measurements. Chapter 3 addresses composite well-being indicators. Chapter 4 explores well-being in more detail and discusses a dashboard of indicators in various dimensions of well-being. Chapter 4 also considers how Belgium is performing with respect to a selected number of well-being indicators. On the basis of our research and analysis, we conclude by making recommendations about how well-being in Belgium can be better defined, measured and, hopefully, improved.

More than ever, in a period of budgetary restrictions politics should get its priorities right. We think this means maximizing well-being for current and future generations – that is: pursuing sustainable well-being. To do so, better defining and measuring well-being is a crucial step which, when implemented rightly, also helps to increase the democratic character of our governance.

Chapter One

"The welfare of a nation can scarcely be inferred from a measurement of national income"

Simon Kuznets, Report to the United States Congress in 1934

GDP: MARKET PRODUCTION, NOT WELL-BEING

Gross domestic product (GDP) tracks a country's market activity by adding the value of all final goods and services that are produced and traded for money within a given period of time, typically a quarter or a year. It is a comprehensive measure, covering household consumption and government expenditures, net exports (the value of exports minus imports), and investment (the increase in the value of capital goods). Because the value of the production in an economy corresponds to the remuneration of the production factors, labour and capital, as well as the payment of indirect taxes such as VAT, GDP corresponds to the sum of incomes distributed by an economy.

Simon Kuznets and his team developed the concept of GDP in the 1930. It was originally aimed at accurately measuring economic activity to identify appropriate stimulus policies to stem the Great Depression. The metric was further developed after World War II, a period of reconstruction and scarcity during which economic growth went hand-in-hand with societal progress, while ecological concerns were limited or non-existent.

Today, GDP calculations benefit from well-established international standards. Its synthetic character and simplicity make GDP the most widely used measure of economic activity. GDP is one of the most closely watched economic statistics. Political and economic leaders use changes in GDP – economic growth or decline – as benchmarks to justify fiscal and monetary policy. The business community uses it for production, investment, and employment planning. Journalists and voters routinely look at GDP as a proxy for policy success or failure. GDP has become a popular indicator for assessing a country's wealth; and GDP per capita on a purchasing power parity basis is frequently used for comparing living standards in different countries.

Over time, GDP growth has come to be largely viewed by economists, decision-makers and the media as representing overall progress[1]. Treating GDP as an indicator of general well-being is however inaccurate and dangerous, for several reasons[2].

1 Costanza et al. (2009).

2 For a detailed review of statistical aspects of GDP, see Boarini et al. (2006); Stiglitz et al. (2009).

- **GDP is a monetary value measure.** It mainly represents market production[3]. GDP does not account for activities such as volunteer work, childcare and unpaid household work. In addition, GDP does not account for leisure. However, as Stiglitz et al. (2009) mention, everyone would agree that consuming the same bundle of goods and services, but working 1,500 instead of 2,000 hours a year implies an increase in one's standard of living. Finally, GDP does not take into account moral, spiritual or aesthetic value. For instance, replacing Belgium's architectural jewels – such as Victor Horta's *Maison du Peuple*, demolished in 1965 – with functional buildings with no heritage character contributes to GDP. It does not, however, consider the value of the beauty and cultural heritage of our cities.

- **GDP is a measure of flows.** It measures income flows, not the stock of wealth in an economy. However, this stock is an important determinant of living standards, now and in the future, and it is influenced by many factors that GDP does not take into account. Among them are revaluations (variations of asset prices), depreciation (wear and tear) or destructions (natural disasters, war). For instance, the wear and tear of roads by trucks is not recorded in GDP. Moreover, if reconstruction more than offsets loss of output and a drop in tourism in affected areas, natural disasters could increase recorded GDP, even though the effect on living standards would be negative. As the World Bank noted in its Developing Trends, March 2011[4]: "If anything, the Kobe earthquake [of 1995] had a positive effect for Japanese GDP." Another illustration of the inadequacy of GDP as a measure of well-being is the fact that, according to some market analysts, the 2010 BP oil disaster in the Gulf of Mexico would register as a net gain in US GDP, due to the expenditures involved in clean up and rescue operations[5].

- **GDP imperfectly measures quality.** GDP measures the cost and quantity of products and services, but it does not offer information on their quality. While we can think of market prices as reflecting consumers' appreciation of market goods and services, this does not apply to government provided goods and services, for which there are no market prices. Public production is included in GDP at a value equal to the sum of the related cost, rather than on the actual outputs produced. This means that elements of great importance for individuals such as healthcare, personal security, environmental quality, education and the efficiency of public services are poorly measured by GDP. For example, in 2010, the United States spent two-and-a-half times as much for healthcare as other Organisation for Economic Co-operation and Development (OECD) member countries spent on average. However, indicators of health such as life expectancy and infant mortality are worse in the United States[6]. Furthermore, there are products and services whose quality is complex, multi-dimensional and rapidly changing, such as computers and medical services. Quality changes may bring significant contributions to the quality of life; however, they are only imperfectly taken into account in calculating GDP.

- **GDP ignores distributional issues**. GDP growth may benefit only parts of the population, while other parts become poorer. However, the distribution of resources among individuals is an important determinant of social welfare. Moreover, in a globalized world, a discrepancy may appear between a country's wealth production and the way it benefits its population. In Ireland, for example, net national disposable income – the sum of the disposable incomes of all residents – has substantially decreased as a proportion of GDP since the mid-1980s, reflecting the repatriation of profits by foreign investors[7]. As a result, the income of the population has grown significantly slower than GDP would suggest.

- **GDP does not account for negative externalities.** It ignores, bad effects suffered by third parties when a good or service is produced or consumed. Thus, air pollution, environmental deterioration and depletion of non-renewable resources are excluded from GDP. Travelling to work by car increases GDP, without regard for the resulting pollution and traffic jams. By contrast, going to work by bike neither increases GDP nor generates pollution or traffic jams. As noted by Beachy and Zorn (2012): "GDP actually tends to rise with societal problems such as crime, pollution, household debt, commuting time, and family break-

3 A few productive activities that take place outside the market sphere have been incorporated into GDP. The single most important is the services that homeowners derive from living in their own dwellings (Stiglitz et al., 2009).

4 World Bank (2011)

5 Di Leo (2010).

6 OECD Health Data (2012).

7 Stiglitz et al. (2009).

down." Thus, many activities included in GDP actually reduce the welfare of people.

- **GDP does not take into account sustainability.** Unbridled exploitation of resources or growing debt dedicated to consumption contributes to GDP, but they can compromise future wealth production and well-being. The subprime mortgage crisis in the United States and the sovereign debt crisis in the euro area are good examples. The Fukushima nuclear disaster in Japan also provides a good illustration of GDP's limits as an indicator of well-being and its sustainability. As noted by Fitoussi & Stiglitz (2011): "*GDP may have been higher because of the greater efficiency (cost savings) as a result of the reliance on nuclear (as opposed to say renewable) energy. The placement of spent nuclear material in a way that exposed the entire country to now evident risks may have contributed to higher GDP in the past.*"

As a purely economic measure, GDP omits social and environmental factors that directly contribute to well-being. As a purely current measure, it ignores tomorrow's economic potential. As a purely market-based measure, it does not fully account for current economic welfare. However, being a flawed measure of material living conditions and society's well-being does not mean that GDP is useless. GDP growth or, preferably, real GDP growth – which adjusts for inflation - is a satisfactory measure of economic activity that determines *inter alia* the level of employment and is thus relevant as such. Measuring aggregate economic activity is indeed helpful in devising economic policy that addresses unemployment and inflation along the economic cycles, or for businesses taking investment decisions.

However, the shortcomings of GDP make it a poor guide for policies aimed at societal progress and following it as a compass in the quest for society's well-being can be a dangerous distraction. This is particularly true in rich countries, where the living standard is already high and where the emphasis can thus be put on improving the non-material dimensions of well-being, such as social capital, health, education, entrepreneurship, environmental quality, public safety etc. Because the metrics by which we choose to measure progress determine our priorities – as Stiglitz et al (2009) famously say "*what we measure affects what we do*" –, it is crucial to overcome the flaws of GDP by looking for indicators that properly measure well-being. Adequate indicators should help policymakers take decisions that better address what really counts for people and should allow for objective information of the population on the progress actually made.

GDP MEASURES EVERYTHING "...EXCEPT THAT WHICH MAKES LIFE WORTHWHILE"

"Our gross national product counts air pollution and cigarette advertising and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for those who break them. It counts the destruction of [the] redwoods and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities. It counts Whitman's rifle and Speck's knife, and the television programs which glorify violence in order to sell toys to our children.

Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile."

US Senator Robert F. Kennedy,
remarks at the University of Kansas,
18 March 1968[1]

FILLING THE GAP REQUIRES NEW METRICS

Filling the gap between GDP and overall well-being requires new metrics that provide a broader approximation of current economic welfare, accounting for sustainability and incorporating environmental and social inputs. Various alternatives exist. A first option is singular metrics of aggregated variables that either compile distinctive variables (e.g. income, inequality, air quality, life expectancy, educational attainment, etc.) into a singular number or adjust GDP to take into account externalities, home production and defensive measures (e.g. prisons, alarm systems) that rise with crime rates.

A second option is a "dashboard" in which multiple indicators of social progress in the various dimensions of well-being are presented alongside GDP. Dashboards can contain disaggregated and aggregated measures. They can serve to develop environmental and social/human national accounts that would complement current economic national accounts based on GDP.

Aggregated indicators have the advantage of telling a simpler, more powerful story than complex dashboards of disaggregated variables. They allow for simple rankings and comparisons that can help spur healthy competition in government performance. On the other hand, aggregation mixes various dimension of well-being into a single measure. It thus obscures specific developments, rendering concrete policy prescriptions more difficult. Both options are complementary and should be explored.

Chapter 2 presents recent initiatives aimed at better measuring well-being. Chapter 3 then discusses in greater detail aggregated variables. Chapter 4 addresses specific indicators in various dimension of well-being and considers Belgium's performance in these indicators.

1 Kennedy, R. (1968). Available at: http://www.jfklibrary.org/Research/Research-Aids/Ready-Reference/RFK-Speeches/Remarks-of-Robert-F-Kennedy-at-the-University-of-Kansas-March-18-1968.aspx.

Chapter Two

RETHINKING WELL-BEING – GLOBAL INITIATIVES

GDP's designers never intended it to become the ultimate indicator of societal development. Nonetheless, in many academic and policy circles, it has acquired this status. However, some economists have developed alternatives[1]. Prominent among them is Mahbub ul Haq, who created the Human Development Index (HDI), further pursued by economist Amartya Sen, 1998 Nobel Prize winner for his contributions to welfare economics. Since HDI was first launched in 1990, it has been the subject of yearly reports. The HDI considers GDP, but also takes into account life expectancy and education to measure a nation's attainments. The HDI has been criticized for its arbitrary (equal) weighting of its three components. Ul Haq justified this weighting as follows: "*We need a measure of the same level of vulgarity as GNP*[2] *– just one number – but a measure that is not as blind to social aspects of human lives as GNP is.*"[3] Today, we would consider HDI's focus to be too narrow, because well-being involves more than material standards of living, health and education, which equate to basic needs. However, this focus is logical, as ul Haq was foremost thinking of how to better measure progress in developing countries.

QUESTIONING THE DOMINANCE OF GDP

In recent years, increasing numbers of academics, policy-makers and international institutions have been thinking about better, encompassing definitions and measurements of well-being. In 2008, the French government created a commission tasked with rethinking the measurement of economic performance and social progress. This resulted in the 2009 Stiglitz-Sen-Fitoussi Report. With the financial-economic crisis in full force, this initiative that questioned the dominance of GDP gained support. The report, because of the prominence of its authors, received considerable attention and approval.

The Stiglitz-Sen-Fitoussi Report made several recommendations, including:

- Using alternatives to GDP such as net national income and household disposable income;
- Taking distribution and inequality into account;
- Complementing GDP with use of objective measures of well-being from categories such as employment, health, education, social networks, the environment,

1 Attempts to complement or replace GDP by distinguished economists such as Nordhaus, Tobin and Easterlin date back to the 1960s and 1970s. For an overview, see Fleurbaey and Blanchet (2013). This work has accelerated since 2007.

2 Ul Haq referred to gross national product (GNP), which is the market value of all products and services produced by the residents of a country (including abroad) instead of within the territory of a country as in GDP.

3 United Nations Development Programme (1999), Human Development Report 1999, p. 23.

insecurity and governance;
- Taking account of sustainability by calculating stocks of human and physical capital and natural resources.

The report offers a blueprint, but leaves it to governments to decide how exactly to define and measure societal progress. The Stiglitz-Sen-Fitoussi Report's recommendations have been widely taken up by many organizations, including the OECD[4] and the European Commission. The OECD launched its Better Life Initiative, with a Better Life Index that allows citizens via an interactive web-based tool to give weights to the various dimensions of well-being according to their own preferences and to compare overall well-being across countries[5]. The OECD identified 11 topics essential to well-being in terms of material living conditions (housing, income and jobs) and quality of life (community, education, environment, governance, health, life satisfaction, safety and work-life balance). Each topic is built on specific indicators. In chapter 4, we use the OECD's framework and data, complemented with other data, to assess well-being in Belgium.

In 2007, the European Commission began working on appropriate indices to measure progress, complemented by reflections on how the indices can be integrated into decision-making processes and considered in public debate. This Commission initiative, called Beyond GDP, has resulted in a roadmap and a Communication[6]. The European Commission and the OECD build on the Stiglitz-Sen-Fitoussi Report.

4 The OECD hosted a conference, Beyond GDP: Measuring progress, true wealth, and the well-being of nations, in November 2007 in Brussels, in cooperation with the European Union, the Club of Rome and the World Wide Fund. However, the Stiglitz-Sen-Fitoussi Report gave this thinking broad attention and provided the analytical work that would be used by the OECD, the EU and others.

5 See http://www.oecdbetterlifeindex.org/

6 In this Communication, the European Commission proposes five actions: complementing GDP with environmental and social indicators; near real-time information for decision-making; more accurate reporting on distribution and inequalities; developing a European Sustainable Development Scoreboard; and extending national accounts to environmental and social issues (European Commission, 2010).

NATIONAL-LEVEL INITIATIVES

Initiatives at the national level, for example in Australia, Canada, Germany, Luxemburg, the United Kingdom,[7] and the United States are participating in this more or less coordinated exercise. [8]Through international collaboration and learning,[9] a consensus on a definition of well-being is taking shape.[10]

Belgium should not lag behind in this work. We welcome the establishment in 2012 of a Senate Working Group on new indicators for economic performance, social progress, quality of life and happiness. We also welcome the Walloon government's recent decision to introduce five complementary indicators to GDP.[11] With this report, we seek to give these nascent initiatives a boost and to contribute to a wide debate on this important exercise.

In Chapter 3 we discuss the possibility that these initiatives might lead to a single aggregate, composite indicator reflecting societal well-being. However, conceptual and measurement problems render this a long-term exercise. In the meantime, as building blocks for such eventual composite well-being indicator, a set of indicators for which there is a relative consensus should be developed. Chapter 4 presents an example of such an approach.

7 See http://www.ons.gov.uk/ons/guide-method/user-guidance/well-being/about-the-programme/index.html.

8 In 1972, the Kingdom of Bhutan proposed a Gross National Happiness indicator.

9 For an extensive overview of global initiatives, see Australian Bureau of Statistics (2012), pp. 67-81.

10 This consensus involves some international organizations and national government agencies. Within academia and civil society, there is more fundamental debate on whether it is possible and desirable to complement or replace GDP by other indicators that objectively measure well-being. And, if it is not, whether the consumerist, or economic progressivist philosophies that are the basis of our politico-economic system should be called into question. In Belgium, see work by Isabelle Cassiers and Geraldine Thiry; internationally, see the work of Jean Gadrey, the Forum pour d'autres indicateurs de richesse (FAIR), and Tim Jackson.

11 See the accessible websites http://www.indicateurswallonie.be/swf/index.html and http://nollet.wallonie.be/la-wallonie-met-en-places-cinq-indicateurs-phares-compl-mentaires-au-pib for background information. For an initiative at the federal level, see http://www.iddweb.eu/?page_id=5.

Chapter Three

COMPOSITE INDICATORS

Defining and measuring well-being is not an end in itself. It should serve the objective of shifting public discourse and public policy towards the goal of sustainable well-being. Aggregating multiple variables into a single indicator presents conceptual and measurement problems, some of which are discussed in more detail in Chapter 4. However, the possibility of one qualitative number should at least be studied and pursued in the long run, as only a single number will have the same narrative potency as GDP has today.

A number of metrics that compile distinct variables exist today, ranging from three indicators in the HDI to 64 in the Canadian Index of Wellbeing.[1] To aggregate such variables into a single number, different methodologies are used for assigning weight to each of the statistics.

An alternative to composite indices is "corrected GDP". Corrected GDP starts with the GDP formula we know, and adds or subtracts material or non-material dimensions of well-being by imputing market values for non-market goods. An early example is the Sustainable Measure of Economic Welfare (SMEW) developed by Nordhaus and Tobin in 1973. This indicator subtracts from national output elements not conducive to welfare – such as commuting time - and adds elements that add to the quality of life – such as leisure time. This results in a measure of economic welfare (MEW), from which is subtracted the monetary amount needed to keep the capital stock constant, resulting in the SMEW.

An interesting recent example of composite index that adjusts GDP is the Genuine Progress Indicator (GPI) used by the state of Maryland in the United States.[2] It shows a widening positive gap since 1970 between the state's GDP and GPI. That gap is even more pronounced at the level of the United States as a whole.

1 https://uwaterloo.ca/canadian-index-wellbeing/

2 http://www.green.maryland.gov/mdgpi/whatisthegpi.asp

HOW BELGIUM SCORES

In Box 1, we show how Belgium scores on some existing composite indicators and identify the 10 best performing countries according to these indexes. We start with GDP per capita as a benchmark, currently the most widely used proxy for overall living standards.

Index	Belgium's score	Belgium's rank (total number of countries)	Top 10
GDP per Capita[3]	39270 $ ppp	18 (200)	Qatar, Luxemburg, Norway, Singapore, Macao SAR, Kuwait, Switzerland, Hong Kong SAR, Brunei, United States
Human Development Index[4] (HDI)	0.886	18 (187)	Norway, Australia, the Netherlands, United States, New Zealand, Canada, Ireland, Liechtenstein, Germany, Sweden
Happy Planet Index (HPI)[5]	37.1	107 (151)	Costa Rica, Vietnam, Colombia, Belize, El Salvador, Jamaica, Panama, Nicaragua, Venezuela, Guatemala
Better Life Index (BLI)[6]	7.2	14 (36)	Australia, Norway, United States, Sweden, Denmark, Canada, Switzerland, the Netherlands, New Zealand, Luxemburg
Human Development Index (HDI)[7]	5.08	11 (22)	Denmark, Switzerland, Norway, Ireland, Austria, Sweden, Finland, the Netherlands, Spain, Cyprus

FURTHER WORK NEEDED AT INTERNATIONAL LEVEL

Belgium's scores and the 10 best performing countries differ from one index to the other. First, this shows that decisions on how to compose and compute an index will have important effects on the appraisal of how well a country is doing, as well as on public discourse and policy reactions. Second, it is evidence of the different opinions on how well-being should be defined and measured. We encourage further work at the international level to find a consensus on how to define and measure well-being to allow for international comparisons, to be combined with national deliberations to allow for different societal preferences. In the meantime, a dashboard consisting of disaggregated indicators that are summarized in a number of limited headline indicators offers a good alternative and will always be a necessary complement to a synthetic indicator for policy assessment and prescription purposes. Chapter 4 discusses a dashboard of indicators.

3 http://databank.worldbank.org/databank/download/GNIPC.pdf

4 http://hdrstats.undp.org/en/tables/. The HDI combines indicator of life expectancy, educational attainment (consisting of mean years of schooling and expected years of schooling) and (gross national) income (per capita). The HDI sets a minimum and a maximum for each dimension and then shows where each country stands in relation so these goalposts, expressed as a value between 0 and 1.

5 http://www.happyplanetindex.org/data/. The HPI uses global data on life expectancy, experienced well-being (using the "ladder of life"question from the Gallup World Poll) and ecological footprint, and is computed as follows: experienced well-being x life expectancy/ecological footprint.

6 http://www.oecdbetterlifeindex.org/. The BLI contains 11 topics that are each based on one to three indicators. Results are based on indicators averaged with equal weights.

7 http://www.nationalaccountsofwellbeing.org/explore/indicators/zwbi. The NAWB indicator uses two headline measures: personal well-being and social well-being. These are broken down into component and subcomponent indicators. To compute these indicators, data from the European Social Survey are used.


B
C

Chapter Four

"Current well-being has to do with both economic resources, such as income, and with non-economic aspects of peoples' life (what they do and what they can do, how they feel, and the natural environment they live in). Whether these levels of well-being can be sustained over time depends on whether stocks of capital that matter for our lives (natural, physical, human, social) are passed on to future generations."

Stiglitz-Sen-Fitoussi Report, 2009

A DASHBOARD OF WELL-BEING INDICATORS FOR BELGIUM

How to define well-being and which dimensions to include in its measurement are thorny questions. People have different ideas about what constitutes well-being and accord different weights to its parts. Measurement problems are not yet solved. Nonetheless, thanks to flourishing thinking within academia, international organizations and several countries, a consensus is emerging.[1]

The OECD's definition of well-being, based on the Stiglitz-Sen-Fitoussi Report, offers an interesting starting point. But defining well-being should be the subject of broad public deliberation within Belgium, addressing the various dimensions to be included and their relative importance. This is not contradictory. International expert work can provide input and sort out methodological issues, and for reasons of comparability, countries can decide to use a harmonized index. However, a nation's people should have the ultimate decision on how to define well-being.

After presenting some further general reflections about conceptualizing well-being, we focus on indicators of material and non-material dimensions of well-being, while considering its distribution and its sustainability.

CONCEPTUALIZING WELL-BEING

The well-being of a society is difficult to define.[2] There are two main reasons for this. The first is the multidimensional character of well-being. The flourishing of individuals requires various disparate means such as material resources, health, education, leisure time, etc. As a result, careful analysis of a country's well-being should be based on multiple indicators covering all relevant dimensions.[3]

The second difficulty is the distribution of well-being. If two countries have the same amount of resources of all kinds, most people will agree that the social well-being of the country where a small minority commands the vast

1 See p18, footnote 10 for a qualification of this consensus.

2 For a recent review of existing conceptualization of well-being, see Fleurbaey and Blanchet (2013).

3 There is ongoing scientific research on coherent ways to aggregate the different dimensions of well-being. See, for example, Fleurbaey & Maniquet (2011).

majority of resources is lower than the other country where resources are shared more equally. Furthermore, when looking at the distribution of available resources, one should consider future generations. A key feature of an indicator of social well-being is its ability to measure its sustainability across time. The sustainability requirement is an intergenerational equity constraint.

We believe for now a combination of composite well-being indicators together with disaggregated indicators is to be preferred. Composite indicators would integrate disaggregated indicators that refer to the same dimension, without aggregating indicators on other dimensions from a different nature (e.g. health and education), as it is done currently by the OECD. This would allow respectively for easy assessment and communication of (relative) progress and would at the same time permit a clear analysis of the detailed indicators and concrete measures in which a country or other governmental unit is doing better or worse, which can then feed into the policy process.

As constructing one single well-being indicator requires further conceptual and measurement clarification, as well as societal agreement on which indicators to include and how to weight them, we believe a first step can be taken more easily in the meantime. Compiling and presenting a set of indicators is an appropriate start for a neutral evaluation of societal well-being. People can then decide for themselves how to interpret the performances on different indicators of the reporting entity. A second step is a broad societal deliberation on the definition of well-being and the calibration of its components. As a third step, experts can decide on the best way to aggregate or integrate different high-quality measures of well-being dimensions. As the preferences of societies change, this cycle should be repeated on a regular basis.

Inspired by the OECD's Better Life Index approach, we turn to an overview of potential indicators of well-being that can be used, and show how Belgium performs in relation to comparable countries.

MATERIAL WELL-BEING

There is no disagreement on the idea that well-being includes a material dimension. In our market economies, the main elements of the material dimension are probably income and wealth. As the OECD[4] notes, these elements reflect the current and future consumption possibilities of individuals. They allow for satisfying needs, attaining personal objectives and strengthening liberties. Also, financial resources allow for investing in key well-being dimensions such as health, education, environment, collective safety or mobility. Both at individual and society level, income and wealth are significant components of well-being, even though their relationship with well-being is complex (see box 2 below).

Because measuring available economic resources benefits from a longstanding tradition, a number of consistent, harmonized and regularly updated measures exists, and allow for cross-country comparisons over time. We will address typical income, consumption, wealth and housing indicators to shed light on material well-being in Belgium, compared to other advanced economies.

INCOME

GDP is an imperfect measure of living standards, but other measures from national accounts correct or complement it. Net rather than gross measures of economic activity better account for capital depreciation, although they do not account for environmental degradation. National, rather than domestic, measures better reflect the income of a country's citizens, as they take into account income given to or received from the rest of the world. Figure 1 shows that there can be large differences between net national income and gross domestic product per capita. This is typically the case in countries where the share of foreign investments or workers is elevated, such as in Ireland or Luxembourg.

NET-ADJUSTED DISPOSABLE INCOME

An even better measure of economic resources is net-adjusted disposable income, which combines information on a large number of market and non-market resources.[5] This measure includes labour and capital incomes, as well as social benefits and social transfers in kind (such as healthcare services, education and housing benefits), from which is subtracted taxes on income and wealth, social security contributions paid by households as well as depreciation of capital goods consumed by households. Net-adjusted disposable income corresponds broadly to the maximum amount a household can spend or save without having to reduce its assets or increase its liabilities (disposable

4 OECD (2011a).

5 OECD (2011a).

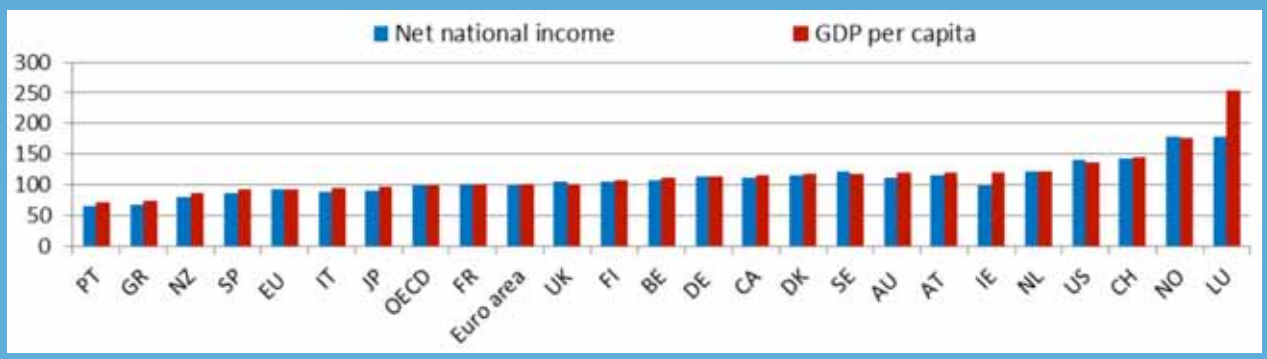
income), while taking into account government services provided to citizens (adjusted) and capital depreciation (net). While a better measure of living standards than GDP, net-adjusted disposable income is more subject to approximations, as some of its components are not observed but imputed data, which tend to be less reliable.

On the basis of the net-adjusted disposable income, Belgium is in the middle of the spectrum of comparable OECD countries. With net-adjusted disposable income of US$ 26,388 in 2011, average Belgian households look materially better-off than average Portuguese or Italian households, but worse-off than Luxembourgian, Norwegian and American ones. Over the 10 years to 2011, the average growth rate of the household net-adjusted disposable income in Belgium was lower than in most other OECD countries, but close to those of its major neighbours.

To illustrate the discrepancy between economic performance and the economic situation of households, it is interesting to consider the evolution of real GDP and real net-adjusted disposable income (real net-adjusted income corrected for inflation) over the 10 years to 2011. Although in several countries household real net-adjusted disposable income grew more than real GDP on average, it is the opposite in other countries, including Belgium. In Belgium, the difference is particularly large, reflecting a significant disconnection between economic growth and households' material conditions. This reflects income distribution among economic sectors. While this difference is not per se a negative development, it would be interesting to study its origins in more detail and to see how it impacts households' future material well-being.

Net-adjusted disposable income indicates consumption and saving possibilities. Another relevant indicator of material well-being is household final consumption expenditure that summarizes all actual spending by households and can thus be interpreted as their realized material conditions. On the basis of household final consumption expenditure, Belgium lags slightly behind its neighbouring countries. This is largely due to a pronounced taste for saving in Belgium where net private savings as a percentage of disposable income was 8.5% in 2012, the second highest rate in the euro area after Germany. As shown below, the high savings rate of Belgian households can also be related to a high level of household net financial wealth.

Figure 1: Net national income and GDP per capita in 2011, current PPPs (OECD = 100)



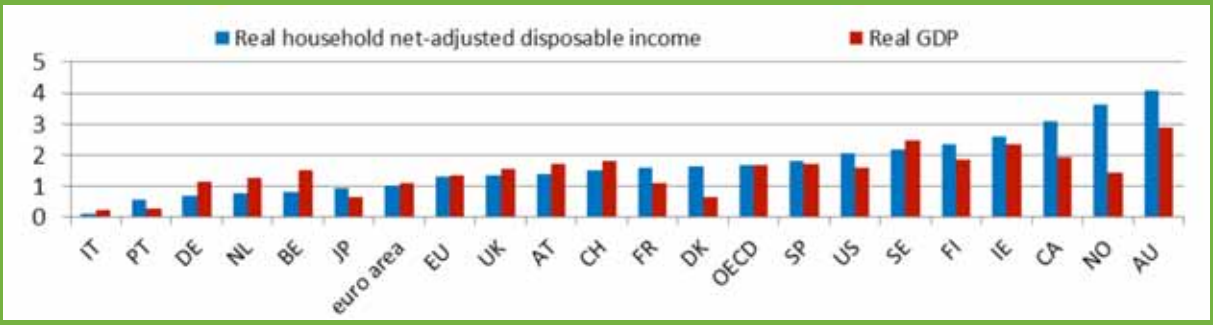
Source: OECD

Figure 2: Household net-adjusted disposable income per capita in 2011 (USD, PPA 2000)

Note: Households include non-profit institutions serving households, except for New Zealand. Purchasing power parities are those for actual individual consumption of households. The latest available year is 2009 for New-Zealand, OECD and Luxembourg; and 2010 for Australia, Canada, Japan, Switzerland and the United States.

Source: OECD and authors' calculations

Figure 3: Real household net-adjusted disposable income and real GDP (average annual percentage growth 2002–2011



Source: OECD and authors' calculations

INDIVIDUAL CONSUMPTION

Improving the relevance of international comparisons for consumption requires accounting for services provided by government. A more relevant but less reliable indicator is thus *actual individual consumption*, a concept that covers all goods and services effectively used by households, irrespective of who finances such use. It corresponds to *households' final consumption expenditure* plus those (individual) expenditures by government and non-profit organizations serving households that directly benefit households. As shown in figure 4, it is remarkable that *actual consumption* is significantly higher than *consumption* in Scandinavian countries, but also in Belgium, France and the Netherlands where social security systems are comprehensive.

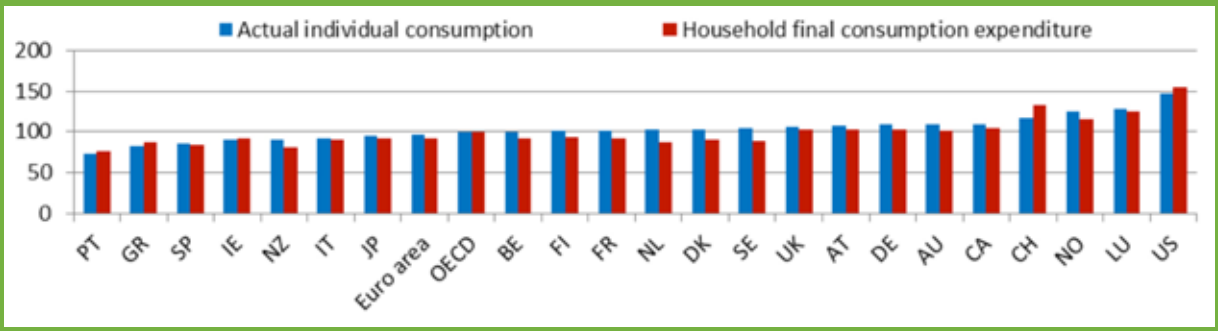
WEALTH

When it comes to material well-being, what really matters is consumption possibility over time. Thus, we now turn to wealth, which is an important indicator of the sustainability of actual consumption. Ideally, a comprehensive assessment of households' wealth should encompass all valuable assets and liabilities that households possess – financial assets and debts, and real assets such as vehicles and real estate.

However, wealth measurement presents a number of challenges that affect the comparability of the data and render international comparisons problematic. Wealth measurement is subject to several approximations, time lags and definitional differences. These challenges are particularly significant when it comes to real assets, for which data availability is scarce. As a result, data should be interpreted carefully.[6]

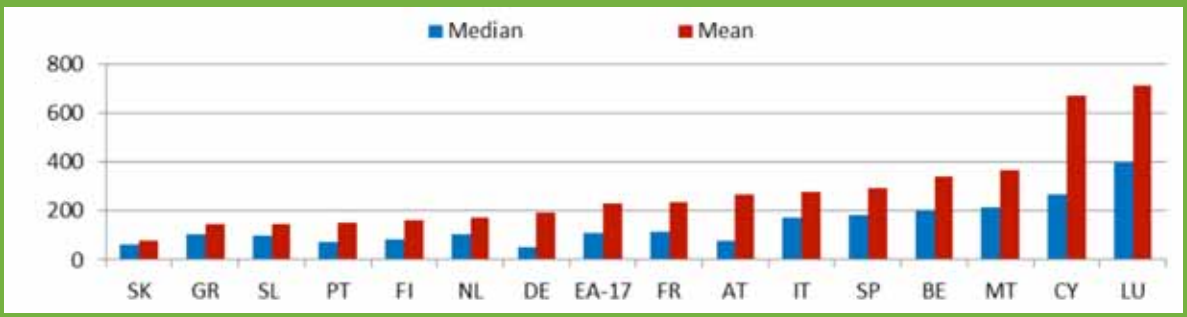
6 For a review of challenges attached to wealth measurement, see

Figure 4: Households' final consumption per capita in 2011 (current PPP) OECD = 100



Source: OECD

Figure 5: Net wealth per household in 2010 (thousands of euros)



Note: Data are expressed in term of household and not per capita. Data for Greece, Finland and the Netherlands date back to 2009 while data for Spain dates back to 2008.

Source: European Central Bank

Figure 5 reports households' net wealth from the recent Eurosystem Household Finance and Consumption Survey conducted by the European Central Bank.[7] This indicator reflects the difference between households' total assets[8] and total liabilities.[9] With median and mean net wealth of €206,200 and €338,600, respectively, Belgian households are relatively well off. They are much richer than the typical euro area household, which has a median and a mean income of €109,200 and €230,800, respectively, and also richer than typical households in major neighbouring countries. In all countries, large differences exist between the median and the mean figures, which reflect uneven distribution of wealth across households. Among the main factors explaining differences in net wealth between countries are incomes, household composition,[10] homeownership, leverage to buy property and house prices.[11] Because several data were collected before the crisis, they may not reflect the current situation.

The main component of net wealth is housing wealth. The facts that around 70% of Belgian households own their own dwelling – compared to 60% on average at euro area level (ECB, 2013) – and that house prices in Belgium rose substantially over the period 2002-2010, largely explain Belgians' relatively high net wealth.

When focusing on the *net financial wealth of households*,[12] which is the difference between the financial assets and the debts of households, and for which data availability tends to be wider and more reliable, Belgian households

European Central Bank (2013).

7 European Central Bank (2013).

8 Real assets (mainly real estate property and vehicles) and financial assets (deposits, investments in mutual funds, bonds, stocks, gold etc).

9 Mortgages and other kinds of debts.

10 Data are not expressed "per capita" here but "per household".

11 European Central Bank (2013).

12 Data here refer to households and non-profit institutions serving households and are expressed per capita.

are among the richest. With USD77,495 (+/-€57,000) per inhabitant on average in 2011,[13] they are the wealthiest among euro area's households and only lag behind American, Swiss and Japanese' households at OECD level. This high net financial wealth of Belgian households should, however, be put into perspective. In particular, because a significant part of a nation's wealth can be held by other sectors, it should ideally be weighed against net financial wealth of the corporate and the public sectors. A more detailed analysis of the sort goes beyond the scope of this report, but it is clear that the comparatively high level of the gross public debt in our country, standing at 99.6% of GDP in 2012, compared to 90.6% on average for the euro area, already tends to relativize somehow the good performances of households.

HOUSING CRITICAL TO QUALITY OF LIFE

Housing is critical to the quality of life of individuals and families. First, it is essential to meet basic needs such as safety and privacy. Second, it impacts other outcomes; for instance, poor quality housing may affect the health or social capital of households and individuals. Third, high housing costs can limit the resources left for other essential expenditures, such as food, healthcare and education and can thus diminish individuals' material well-being.[14] While affordable, quality housing is an essential component of well-being, it is difficult to compare housing conditions across countries due to the lack of harmonized data. Thus, the results below should be interpreted with caution, especially because they are based on data available with a significant lag.

Comparable data exists for two relevant benchmark housing indicators – the number of rooms per person and housing expenditure.[15] On the basis of these indicators, Belgium performs well in terms of housing. With 2.2 rooms per persons on average, Belgian's households are among those European households with the largest number of rooms per person. Housing expenditure is also rather enviable, with only around 20% of households' net disposable income spent for housing, compare to 21% on average in the OECD and 27% in Greece.

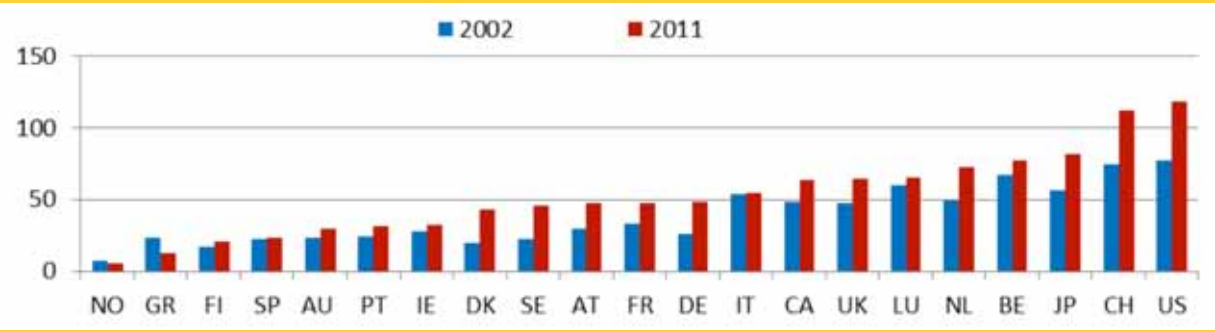
On the basis of this quick analysis, Belgian households seem to enjoy, on average, a relatively high level of material well-being among advanced economies. Four characteristics emerge for Belgium: (I) net-adjusted disposable incomes are close to average of comparable OECD countries; (II) consumption is lower in relative terms due to high saving rates; (III) net financial wealth is among the highest in the euro area, and (IV) housing conditions are good. These characteristics, however, say nothing about distributional aspects, which are discussed further below. Furthermore, they are silent on the relative life satisfaction of Belgians, an issue discussed in box 2. We will try to tackle this issue by introducing indicators of the non-material dimensions of well-being in the next section.

13 OECD financial statistics. According to data from the National Bank of Belgium, household net financial wealth per capita was €74,930 for the first quarter of 2013, up 6.2% from the first quarter of 2012.

14 OECD (2011a)

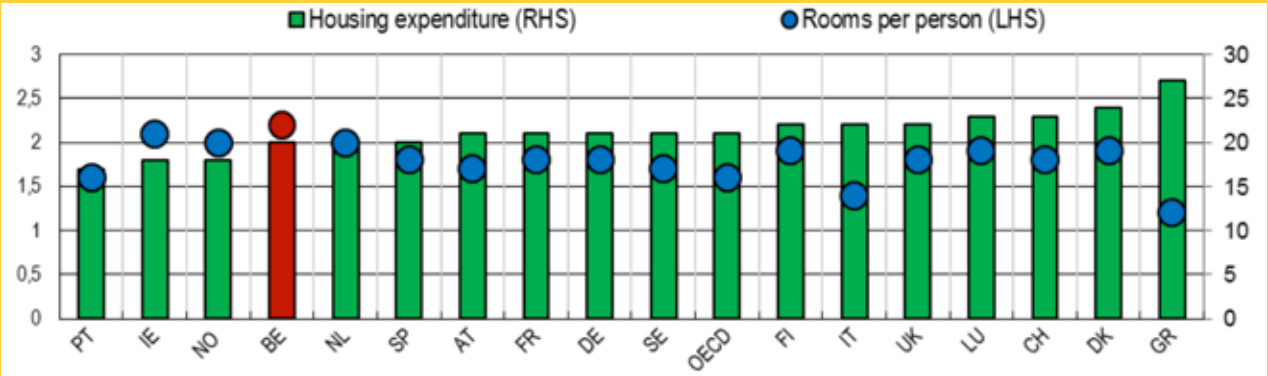
15 This indicator considers the expenditure of households in housing and maintenance of the house as a percentage of the household gross adjusted disposable income.

Figure 6: Households' net financial wealth per capita in 2002 and 2011 (thousands of USD)



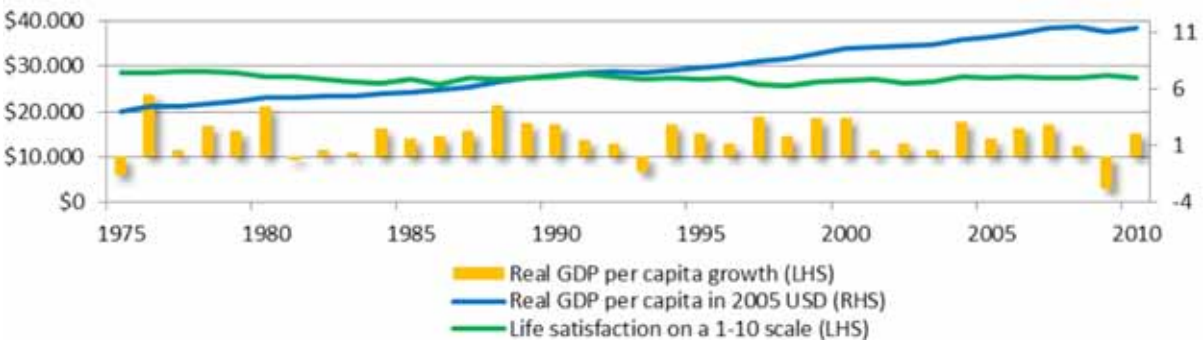
Note: Data for Luxembourg refer to 2006 and 2011, while data for Japan refer to 2002 and 2010.
Source: OECD financial statistics.

Figure 7: Housing indicators (2011)



Note: As regard housing expenditure, data for Luxembourg refer to 2009 while data for Switzerland refer to 2010. Data for rooms per person for Ireland refer to 2010.
Sources: OECD

Figure 8: GDP per capita and life satisfaction in Belgium (1975-2010)



Sources: USDA International Macroeconomic Dataset & World Database on Happiness (R. Veenhoven, Happiness in Belgium (BE), World Database of Happiness, Erasmus University Rotterdam, the Netherlands).

BOX: THE RELATIONSHIP BETWEEN INCOME, WEALTH AND WELL-BEING

The nature of the relationship between income or wealth and well-being has been a subject of interest since the time of Epicurus in the 3rd century BC. Over the past 40 years, numerous empirical studies have attempted to test the statistical link between income and subjective well-being[1] at the individual and the country level. As several of these studies use GDP as a proxy for income, some results can be interpreted in term of the relationship between GDP and subjective well-being. Following is a brief overview of the studies and their conclusions.

Although "money does not buy happiness", many people might expect a positive correlation between income and well-being. However, American economist Richard Easterlin found in 1974 that this correlation "*does not always hold*".[2] He discovered that although subjective well-being is positively associated with income within any country at a given point in time, the average level of declared well-being for a country as a whole changes little over time, even in the face of substantial growth in average incomes. This is now widely known as the "Easterlin paradox" and has been confirmed on several occasions for different countries.[3] For example, Layard (2003) found that for poor countries, income has a clear impact on happiness, but once a country has over US$ 15,000 per head its level of happiness is independent of its income per head.

Figure 8 tends to validate the Easterlin paradox for Belgium. It shows that over the period 1975–2010, life satisfaction largely remained stable in Belgium while per capita GDP almost doubled. This result should be taken with caution however, as it is based on a comparison between an indicator of which the scale is open to rising – real GDP per capita – and another one whose scale is closed – life satisfaction.

Among the explanations for the Easterlin paradox is the "addiction effect", the fact that when income increases, the material norm also increases. As Easterlin (1995) explains: "Raising the incomes of all does not increase the happiness of all because the positive effect of higher income on subjective well-being is offset by the negative effect of higher living level norms brought about by the growth in incomes generally." To explain why, despite an increase in revenue, the well-being of cohorts of the population remains largely constant Easterlin (2001) observes: "Income growth does not ... cause well-being to rise, either for higher or lower income persons, because it generates equivalent growth in material aspirations, and the negative effect of the latter on subjective well-being undercuts the positive effect of the former." Further explaining the Easterlin paradox, authors such as Layard (2005) argue

1 That is well-being reported by individuals through surveys. In this box well-being should be understood as subjective well-being.

2 Easterlin (1974).

3 See, for example, Easterlin (1995), Layard (2003), Easterlin et al. (2010), Diener & Oishi (2000).

that individuals might be more attentive to their relative income than to their absolute income levels.

Some studies partially contradict the Easterlin paradox,[4] finding a positive link in some countries – even rich ones - between income and well-being. For example, Stevenson and Wolfers (2008) found a significant positive link between income growth and subjective well-being in Japan and some European countries. However, they could not identify the same relationship in the United States.

In a recent work, Kahneman and Deaton (2010) stress the importance of distinguishing two concepts of subjective well-being: emotional well-being and life evaluation. Emotional well-being refers, they say, to the emotional quality of an individual's everyday experience – the frequency and intensity of experiences of joy, fascination, anxiety, sadness, anger, and affection that make life pleasant or unpleasant. Life evaluation refers, in comparison, to a person's thoughts about his or her life. Studying both for the United States, they find that emotional well-being and life evaluation have different correlates. For instance, income and education tend to be more closely related to life evaluation, but health, caregiving, loneliness, and smoking are relatively stronger predictors of daily emotions.

Regarding the relationship between subjective well-being and income in the United States, Kahneman and Deaton find a strong and steady correlation between income growth and life evaluation for poor and rich people. They also find that emotional well-being rises with income expressed in terms of percentage, but that there is no further progress beyond an annual income of around US$ 75,000. They conclude that "high income buys life satisfaction but not happiness", and that "low income is associated both with low life evaluation and low emotional well-being".

As income is not an end in itself, it is interesting to evaluate how it correlates with a number of objective indicators of the non-material dimensions of well-being. On the basis of the indicators proposed by the OECD (2011b), the correlations calculated at national level do not reveal any systematically positive link between the indicator for income (net-adjusted household disposable income) and the range of proposed non-material well-being indicators. For instance, although income is slightly positively correlated with health status, employment rate and social relationships, it is negatively correlated with environmental quality and personal security. Boarini et al. (2006) found some positive correlation between the level of the GDP per capita and that of indicators of well-being such as the employment rate, the number of years of schooling and social cohesion. However, they note that these correlations are low, less than 0.6 on average, and they decline when the analysis is restricted to rich countries.

To conclude, it is clear that the relationship between income and well-being is complex and difficult to grasp in space and time. Beyond the nature of the relationship, which is also – at least to some extent – culture-dependent, indicators involved in its measurement are amenable to discussion, as are the analytical techniques used to test it. No one can settle this question definitively. Nevertheless, studies tend to suggest that, if income and material wealth do contribute to the flourishing of individuals and the well-being of a society, their growth is not a sufficient condition and, beyond a certain threshold, probably not a necessary one.

4 See for instance Hagerty and Veenhoven (2003) or Stevenson and Wolfers (2008).

NON-MATERIAL DIMENSIONS OF WELL-BEING

Following is the OECD's approach[16] as an illustration of indicators that could be included in a definition of well-being and how to define and measure them. We show the relative performance of Belgium on these dimensions. The OECD's divides its 11 dimensions of well-being into two categories: material living conditions that include income, housing and jobs; and quality of life (non-material) dimensions that include community, education, environment, governance, health, life satisfaction, personal security and work-life balance. In figure 10, we show how Belgium scores on these issues compared to other OECD countries. A more detailed table can be found in the Annex.

Figure 9 provides an impression of how Belgium is doing on 11 dimensions of well-being relative to other OECD countries.[17] It allows us to identify domains where Belgium has scope for improvement. It is at the bottom of the rankings in environment and safety, and below 75% of the best performers in income, civic engagement, life satisfaction and safety. However, this snapshot should be complemented with other information.

- First, what are the trends? How is Belgium's performance in these dimensions evolving?

- Second, how are these performances distributed among socio-economic, gender or geographical groups?[18] For example, are safety and personal security major problems everywhere and for everyone, or only (but intensely) for some groups in bigger cities? As shown in the more detailed table in the Annex, while Belgium scores relatively well on education in general, the education system scores badly in social equality of student skills.[19] This might have repercussions for the job market and for other dimensions such as community and safety.

16 See http://www.oecdbetterlifeindex.org/.

17 For a detailed discussion of the precise definition of these dimensions, which indicator they are composed of, and their results as well as distribution within the OECD countries, see OECD (2011a).

18 When available, some information on gender and social inequality is given in the table in the Annex.

19 Belgium ranks 34th in social equality in student skills.

Figure 9: Performance comparison of Belgium for 11 dimensions of well-being based on OECD indicators

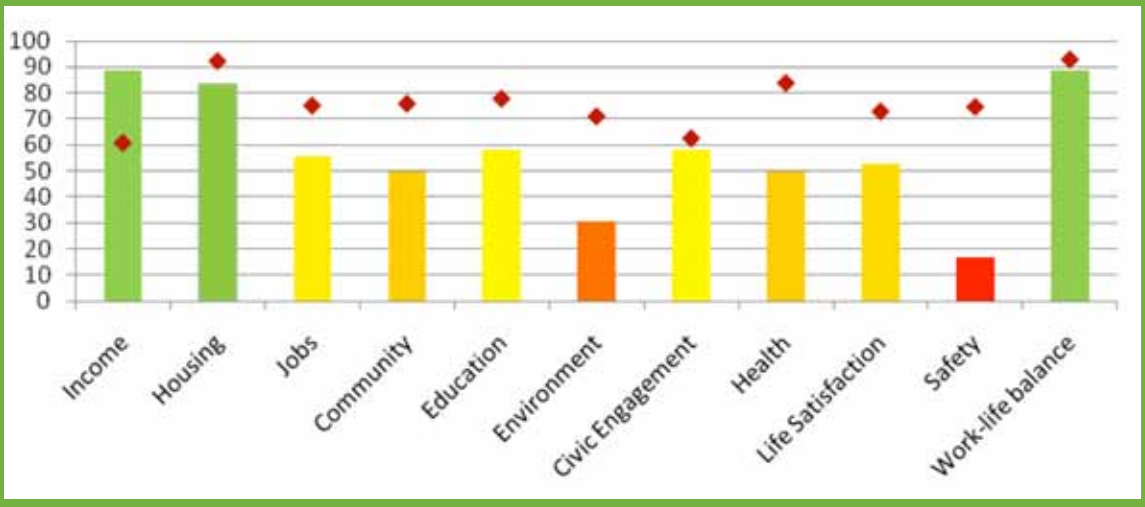


Figure 9 shows how many countries (among all 34 OECD countries plus Brazil and Russia) have lower scores for these indicators than Belgium. Thus, the higher the bars, the better the relative performance of Belgium. For example, for housing, Belgium ranks 5th, and is thus in the top quintile of OECD countries. For safety, Belgium ranks 30th, and is consequently in the bottom quintile of OECD countries.
Note: The bars show the percentage of OECD countries performing worse than Belgium, while the diamonds show the percentage of the score of Belgium vis-à-vis the best performing country; e.g. if Belgium scores 6.5 on income, and the United States scores 10, Belgium's score is 65% of that of the best performing country. Ranging from green over yellow, orange to red, it shows how good our country is relatively doing.

Source: http://www.oecdbetterlifeindex.org/countries/belgium/, own calculations.

- Third, we do not know the precise direction and strength of these repercussions, as we lack information about the relationships among these dimensions at the individual or group level.[20] For example, a low education level is correlated with less opportunity for finding decent employment, and may lead to poorer health, inter alia, because of a higher probability of living in a less clean environment.

- Fourth, this snapshot does not reveal the sustainability of these performances.

At this point, we must comment on the judgements derived from comparing well-being figures across countries. A country's relatively poor performance in one dimension should not automatically be seen as problematic. Preferences may vary across countries regarding the relative importance of different well-being dimensions. For example, Mediterranean countries might show poor performance for housing; but because they enjoy nicer weather, this dimension may not be as significant for well-being as it might be in Scandinavian countries.

Following this reasoning, Belgium's relatively poor performance regarding personal security and environment might be the result of political choice preferring to focus on the income or housing dimensions. If such a choice accords with the population's view, that is fine. But this explanation might be erroneous and the low ranking might be due to political inaction or inefficient policies. In this case, the information collected in a dashboard of well-being indicators can help clarify priorities for the political agenda.

The data used for the different dimensions and the way they are weighted deserves further elaboration. For example, we should not reduce environmental performance solely to air and water quality. And we should include in employment some measure of the quality or decency of work. In the further development of well-being measurement and reporting, it is important to consider what we stress earlier. Trends, distribution, interrelationships and sustainability should also be taken into account.[21]

20 For correlations between the dimensions at the country level, see OECD (2011a), p. 35.

21 Where available, distribution and trends are reported in the OECD dashboard, see the Annex. This should be extended to all indicators.

DISTRIBUTION OF WELL-BEING

A fundamental part of societal well-being is its distribution at individual or household level. Unfortunately, the unit of analysis of most well-being indicators is the country as a whole. The information given is an average performance carrying no insight on how this performance is shared among the population. Dissatisfaction with measures of societal progress is not only associated with their insensitivity to important dimensions of well-being. It is also associated with the lack of consideration of the distribution of economic advantages among individuals. Measures of the distribution of well-being must be integrated into the evaluation of our society.

A society should care about the distribution of well-being for two reasons. The first is fairness. A society may want to compensate individuals for characteristics for which they are not responsible. Some people are born into poor families and face reduced opportunities; others are born with disabilities, poor health, low intellectual abilities, etc. A society may find it desirable to reduce the heavy burdens that misfortune puts on the shoulders of some people.

The second reason is efficiency. Inequalities have consequences that are costly for the society as whole and hence government intervention to reduce inequality might be beneficial to society.[22] For example, redistribution policies that transfer funds to low-income people may increase the total consumption in society, inducing a positive expansionary effect benefiting the economy as a whole. Moreover, inequality might have pernicious effects on societies by eroding trust and increasing a number of health and social problems.[23] At the same time, excessive intervention in income redistribution can be inefficient as it may discourage people from working, studying and investing, thus reducing overall well-being.

Once we agree that there are fairness and efficiency rationales for a certain degree of redistribution, questions arise as to how to evaluate individual, multidimensional situations. Reducing well-being inequality does not mean that inequality within each dimension must be reduced. [24]For example, a man with high income, poor health and average education, in theory, could be judged as equivalent to a woman with average income, good health and

22 Cf. Stiglitz (2012); Wilkinson and Pickett (2009).

23 Wilkinson and Pickett (2009).

24 Fleurbaey and Maniquet (2011).

low education. Inequalities in different dimensions are not necessarily problematic when they are offset and reflect the preference of individuals.

Unfortunately, often an individual scoring poorly in one dimension, such as education, will also score poorly in others, such as income or health. It is therefore crucial to measure and study the correlations between the various dimensions of well-being. This will inform us about the inequality in individual well-being. This explains why data must be collected at the individual level to regularly update the chosen indicators. This will allow computing inequality indicators and correlations between poor individual performances in different aspects of well-being.

INCOME INEQUALITY

We now focus on income inequality, the main indicator for which inequality figures are broadly available and comparable between countries. One indicator is the quintile share ratio S80/S20. It gives the ratio of total income received by the 20% population with the highest income (top quintile) to that received by the 20% of the population with the lowest income (lowest quintile). In 2011, this ratio was 3.9 in Belgium, very close to that of the Netherlands (3.8), and significantly below those of Denmark (4.4), Germany (4.5), France (4.6) and the United Kingdom (5.3).[25] These figures give a first indication of the relatively equal distribution of income in Belgium.

Probably the most renowned indicator of inequality, is the Gini coefficient, a measure of statistical dispersion. Applied to income, this indicator shows the fraction of total income owned by each fraction of the population, ordered by income. The Gini coefficient takes a value of 0 if everybody earns the average income (same income for all); and a value of 1 if one person earns the total income in the society. Thus, the lower the Gini coefficient, the more equal is the distribution.

The Gini coefficient of the income distribution in Belgium has increased somewhat from 1990 until the late 2000s, both before and after taxes.[26] Nonetheless, in international comparisons, Belgium scores relatively well as regards income equality, and the increase in inequality is considered more subdued.[27] In most OECD countries inequality has risen faster than in Belgium during the past two decades.[28] This increase in inequality in OECD countries reflects a phenomenon called by some[29] the "internalization" of inequality, behind which is the idea that inequality at the global level among countries has declined since the 1980s, mainly due to the emergence of highly populated Asian countries. However, inequality at country level has increased.[30]

In Belgium, income inequality after taxes and social transfers as measured by the Gini coefficient was 0.263 in 2011,[31] significantly below the EU average of 0.307. The scores for neighbouring countries were France (0.308), Germany (0.29), Luxembourg (0.272) and the Netherlands (0.258).

Income distribution in Belgium appears relatively equal, especially after taxes and transfers, which is the relevant information to monitor. However, income inequality does not tell the whole story about material inequality; it is silent about wealth inequality and is just a component of well-being inequality.

POVERTY

The category of deprived individuals is at the bottom of the distribution of individual well-being. A person can be counted as poor if she experiences a chronic lack of the basic resources necessary to flourish in society. The monitoring of well-being should integrate poverty measures, as they capture critical information about the bottom of the distribution of well-being.

25 www.eurostat.eu.

26 Algemene Directie Statistiek en Economische Informatie, FOD Economie.

27 OECD (2011) Growing Income Inequality in OECD Countries: What Drives it and How can Policy Tackle it.

28 Ibid.

29 Cf. François Bourguignon a French economist, former chief economist at the World Bank. See his contribution in the report, "La crise économique et financière, quelles conséquences?"

30 The scientific literature has intensively investigated this stylized fact and offered three main complementary explanations. The skill-biased technical change of the last 30 years (development of ICT etc.) has increased the demand for skilled workers, holding specialized university master degrees, who saw their wages increasing. At the same time, the increased liberalisation of trade has put the low qualified workers in competition with workers in emerging economies. This induced a stagnation (if not a decrease in real terms) of the salary of the low skilled workers in the OECD. A last explanation is the more than proportional rise of the top incomes, which was particularly visible in the Anglo-Saxon countries, but also to a lesser extent in continental Europe.

31 www.eurostat.eu.

Poverty alleviation has recently received increased attention after being declared a major objective by international institutions. It is the first of the eight Millennium Development Goals established by the United Nations in 2000 and the European Union selected it as one of its five objectives for its Europe 2020 growth strategy plan for the decade.[32]

As for well-being, the traditional practices for poverty measurement are heavily criticized, as they only take one dimension into account: income or consumption. Different attempts to better take account of the multidimensional nature of poverty are under way. Among the most renowned attempts are the Multidimensional Poverty Index[33] developed by the Oxford Poverty and Human Development Initiative and the Social Protection Performance Monitor (SPPM)[34] of the European Commission, constructed to follow progress made towards achieving the European Union's poverty reduction objectives.

The SPPM, adopted at European level, allows for comparisons among countries and helps identify best practices. The Belgian Federal Bureau for social integration and the fight against poverty recently decided to communicate these figures in a user-friendly way in the inter-federal barometer of poverty.[35] Presented in March 2013, the first results indicated that poverty was stable in Belgium over the last decade and the number of people living in a household with very low work intensity has increased. The figures show that Belgium currently is not on track to meet the Europe 2020 target to reduce the number of people at risk of poverty and social exclusion by 380,000 before 2020.

The SPPM initiative shows that some public institutions already identify useful sets of indicators for monitoring complex social phenomenon such as poverty. In addition to improving governance, this initiative aims to communicate to the public the evolution of poverty in Belgium.

WELL-BEING – SUSTAINABILITY

Children and unborn generations cannot defend their own interests. However, they too deserve their fair share of the country's resources. Adults are responsible for the well-being of future generations. This responsibility should constrain the use we make of our resources. Intergenerational equity obligations cover stocks of the resources necessary for ensuring current and future well-being. These resources include natural capital such as timberland; educated human capital; physical capital such as transportation infrastructure; financial capital, including public debt; and social capital such as participation in voluntary associations. Protecting future well-being also requires facing various challenges, ranging from the demographic shifts that threaten the sustainability of our welfare state to preserving economic competitiveness in a globalized world with the rapid rise of developing countries[36] that is affecting the availability of world energy resources.

Some sustainability dimensions, particularly environmental ones, cannot be fully addressed within national borders. Climate change is among the biggest challenges for intergenerational equity. Because the impact of unilateral action would be limited, this challenge has to be largely dealt with at European or, preferably, global level. Efficiently combating climate change will require international cooperation and concrete action, notably through European institutions. However, at national and local level, we must keep our ecological footprint under control. Several initiatives at national level to reduce our fossil fuel consumption are productive investments, worth being taken unilaterally. Promoting energy efficiency in buildings or developing effective public transportation are good examples.

A major indicator of social well-being, sustainability is a country's public debt expressed as a percentage of its GDP. This measures government surpluses and deficits on the scale of the total national income, which gives an idea of a country's capacity to handle its debt. Transmitting debt to future generations is not a problem per se, as long as the debt has been incurred for the promotion of the well-being of those future generations. This is true for human capital, which enhances individual capabilities and is a key factor of productivity. In addition to the intrinsic value of education, debt incurred for our children's education contributes to their material well-being if the skills created correspond to the needs of our economy.

In Belgium, public debt was 99.6% of GDP at the end of 2012, which is higher than the euro area average of 90.6%, and significantly higher than that of all the neighbouring countries. While interest rates facing Belgium on financial

32 European Commission (2010).

33 http://www.ophi.org.uk/policy/multidimensional-poverty-index/

34 European Commission (2012)

35 http://barometer.mi-is.be

36 Holslag and Renard (2013).

markets are currently particularly low, these low rates will not last forever. Keeping our public debt under control should remain an important objective for intergenerational equity. This requires both careful and visionary management of public money and sustainable economic activity.

The ageing of the Belgian population is a serious challenge for the sustainability of our welfare. The Federal Planning Bureau projects that the mean age of the population will increase from 41 years today, to 44 years in 2030 and 45 years in 2050.[37] The ratio of individuals 60 years or over to individuals between 20 and 59 years (the dependency ratio) will increase from 0.44 in 2010, to 0.63 in 2030 and 0.69 in 2050. These demographic developments and their financial consequences are monitored by the *Comité d'étude sur le vieillissement*. Its latest annual report,[38] estimates the ageing of the Belgian population could increase social expenses by as much as 5.4% of GDP between 2012 and 2060.

Looking at some indicators regarding human capital, the percentage of Belgians holding a university degree increased from 5.4% in 1994 to 9.5% in 2011.[39][40] At the same time, the percentage of people that obtained only a primary school education fell from 31.4% to 18.9%. In 2012, population between 25–64 years having completed at least upper secondary education was 71.6%, compared to 59.5% in 2001. While this is a remarkable evolution, the European Union average was 74.2% in 2012, which means Belgium is lagging behind several other European countries.

Belgium is performing relatively badly as regards the number of persons with only a lower secondary education. In 2012, the percentage of Belgians between 25–64 years in this situation was 28.4%, against 25.8% on average in the European Union.[41]

There are many possible sustainability indicators: arable land available for agriculture, fish stocks, nuclear waste stocks, water pollution, stocks and conditions of public infrastructures, etc. Governments should carefully define and closely monitor them to guarantee the well-being of our citizens and our offspring. Governments should anticipate the predictable evolutions that will impact our resources in the future and adopt the required actions. The federal government acknowledged the importance of these considerations when it decided in 2007 to submit every major political decision to a sustainability test (DOEB/EIDDD.)[42] Making the public more sensitive to these constraints by clearly communicating them might reduce the political difficulty with taking them into account. This might offer a solution for the (in)famous political dictum, repeated recently by Jean-Claude Juncker, for-

37 Federal Planning Bureau (2002).

38 Conseil Supérieur des Finances (2013).

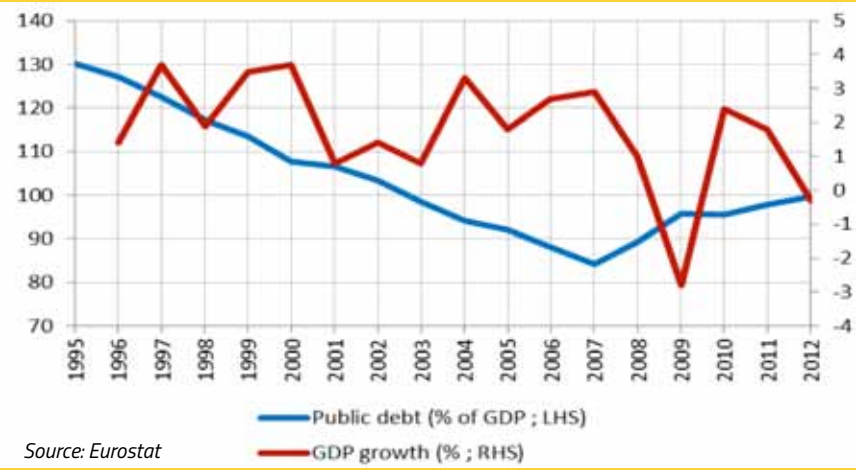
39 Source: www.statbel.fgov.be, edited by SPF economy.

40 Providing every member of society with a university degree is not per se a good objective, as career aspirations vary, and not all vocations require such training.

41 Solid conclusions about the strength of Belgian human capital would require in-depth analysis of many other of its aspects, such as the quality of the educational system, the excellence of our researchers and the adequacy of the diplomas awarded vis-à-vis the needs of the labour market. Such an analysis, however, is beyond the objectives of the current report.

42 See http://www.sppdd.be/nl/inhoud/doeb.

Figure 10: Public debt and annual economic growth in Belgium



Source: Eurostat

mer president of the Euro Group, when interviewed about the debt crisis in the euro area:

"We all know what to do, we just don't know how to get re-elected after we've done it."

Conclusion

While never so intended by its designers, GDP has come to be the ultimate indicator of how well a society is doing. However, treating GDP as an indicator of general well-being is inaccurate and may be a dangerous distraction. As a purely economic measure, GDP omits social and environmental factors that directly contribute to well-being; as a purely current measure, it ignores tomorrow's economic potential; and as a purely market-based measure, it does not fully account for current economic welfare. GDP is a pertinent measure of economic activity, and should be treated as such, but nothing more.

Several initiatives questioning the dominance of GDP and seeking adequate measures of well-being have emerged lately. Particularly, inspired by the 2009 Stiglitz-Sen-Fitoussi Report, many governments from all around the world have started to construct more elaborate measures of sustainability and well-being.

Properly measuring well-being requires new metrics, providing more relevant approximations of current economic welfare, incorporating environmental and social inputs and accounting for sustainability. Because "what we measure prescribes what we do", adequate indicators should help policy-makers make decisions that better address what really counts for people and provide objective information on the progress actually made.

Various alternatives exist. One option is singular metrics of aggregated variables that either i) compile distinctive indicators (e.g. income, inequality, air quality, life expec-

tancy, educational attainment, etc.) into a single number; or ii) adjust GDP to take into account externalities, home production and defensive measures (e.g. prisons, alarm systems) that rise with crime rates. A second option is a "dashboard", in which multiple indicators of social progress in various dimensions of well-being are presented alongside GDP. Dashboards can contain disaggregated as well as aggregated measures. They can serve to develop environmental and social/human national accounts that complement current economic national accounts based on GDP.

We think that a combination of disaggregated indicators with (an) integrated well-being indicator(s) is preferable because it would allow for easy assessment and communication of progress (equal to the communicative power of GDP) and for a clear analysis of where a country or other government entity is doing better or worse, which can then feed into the policy process.

As constructing a single well-being indicator requires further conceptual and measurement clarification, and societal agreement on which indicators to include and how to weight them, we believe a first step should be compiling and presenting a set of indicators. This would be an appropriate start for a neutral evaluation of societal well-being. People could then decide for themselves how to interpret the performances on different indicators of the reporting entity. A second step should be a broad societal deliberation on the definition of well-being and calibration of its components. Finally, experts should decide on the best way to aggregate or integrate different high-quality measures of well-being dimensions. As society's preferences can change, this three step process should be repeated on a regular basis.

Looking at Belgium's performances in some dimensions of well-being, on the basis of a limited set of specific indicators, four main conclusions can be drawn:

- First, Belgian households enjoy, on average, a relatively high level of material well-being among advanced economies. Net-adjusted disposable income is close to average of comparable OECD countries; consumption is somewhat lower in relative terms due to high saving rates; net financial wealth is among the highest in the euro area, and housing conditions are comparatively good.

- Second, as regard non-material well-being, Belgium appears at the bottom of the rankings of OECD countries in terms of environment and safety, while performing relatively well in terms of work-life balance.

- Third, income distribution in Belgium is still relatively equal, especially after tax and transfers.

- Finally, to ensure sustainability of our well-being, Belgium must inter alia keep public debt under control, adapt to an ageing population, address environmental challenges in cooperation with the rest of the world and further develop its human capital.

BIBLIOGRAPHY

Australian Bureau of Statistics (2012). Measures of Australia's Progress. Aspirations for our nation: A conversation with Australians about progress. Available at: http://www.abs.gov.au/ausstats/abs@.nsf/mf/1370.0.00.002.

Boarini, R., A. Johansson and M. Mira d'Ercole (2006). Alternative Measures of Well-being. OECD *Social, Employment and Migration Working Papers*, No.33. Paris: OECD Publishing.

Beachy, B. and J. Zorn (2012). 21st century GDP National Indicator for a New Era., John F. Kennedy School of Government, Harvard University, Report for Congressman Hansen Clarke

Cassiers I. and others (2011). *Redéfinir la prospérité*, Paris: Editions de l'Aube.

Cassiers, I. and G. Thiry (2009). Au-delà-du PIB: réconcilier ce qui compte et ce que l'on compte. IRES, *Regards économique* No. 75, décembre 2009.

Conseil Supérieur des Finances (2013), Comité d'étude sur le vieillissement, Rapport Annuel, juillet 2013.

Costanza, R., M. Hart, S. Posner and J. Talberth (2009). Beyond GDP: the need for new measures of progress. *The Pardee Papers*, No. 4. Boston University Report.

De Vos, M. (2011). Reclaiming happiness from politics., Itinera Institute discussion paper, November.

Diener, E. and S. Oishi (2000). Money and Happiness: Income and Subjective Well-being Across Nations. *In Subjective Well-being Across Cultures*, E. Diener and E. M. Suh, eds. Cambridge: MIT Press, pp. 185-218.

Di Leo, L. (2010). Oil spill may end up lifting GDP slightly. *Wall Street Journal*, 15 June. Available at http://blogs.wsj.com/economics/2010/06/15/oil-spill-may-end-up-lifting-gdp-slightly.

Easterlin, R. (1974). Does Economic Growth Improve the Human Lot? In *Nations and Households in Economic Growth*, P. David and M. Reder, eds. New York: Academia Press.

Easterlin, R. (1995). Will raising the incomes of all increase the happiness of all? *Journal of Economic Behaviour and Organization*, Vol. 27, pp. 35-47.

Easterlin, R. (2001). Income and happiness: towards a unified theory. *The Economic Journal,* Vol. 111, pp. 465-484.

Easterlin, R., A. McVey, L. Angelescu McVey, M. Switek, O. Sawangfa and J. Smith Zweig (2010). The happiness–income paradox revisited. *Proceedings of the National Academy of Sciences of the United States of America Vol. 107*, No. 52, pp. 22463–22468, doi:10.1073/pnas.1015962107.

European Central Bank (2013). The Eurosystem Household Finance and Consumption Survey, Results from the First Wave. *Statistics Paper Series 2*, April 2013.

European Commission (2010). A strategy for smart, sustainable and inclusive growth, European Commission Communication, 3 March 2010. Available at http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF.

European Commission (2012). Social protection performance monitor (SPPM), methodological report by the Indicators Sub-group of the Social Protection Committee. Social Protection Committee, 17 October 2012.

Federal Planning Bureau (2002). Perspectives financières de la sécurité sociale 2000-2050: le vieillissement et la viabilité du système legal des pensions. *Planning Paper 91*. Available at: http://be2020.eu/publications/Publication_det.php?lang=en&TM=63&IS=72&KeyPub=92

Fleurbaey, M and D. Blanchet (2013). *Beyond GDP: Measuring Welfare and Assessing Sustainability*. Oxford: Oxford University Press.

Fleurbaey M. and F. Maniquet (2011). *A Theory of Fairness and Social Welfare*. Cambridge: Cambridge University Press.

Fitoussi, J-P. and J. Stiglitz (2011). Nouvelles réflexions sur la mesure du bien-être. Communication présentée au 16e Congrès de l'Association internationale d'économie, Pékin, 4-8 juillet.

Hagerty M.R. and R. Veenhoven (2003). Wealth and Happiness Revisited – Growing National Income Does Go with

Greater Happiness. *Social Indicator Research*, Vol. 64, No. 1, pp. 1-27.

Holslag, J., and T. Renard (2013). Getting our way in a fragmented world: How a more competitive world order challenges our society to get its act together. *Friday Group Reports*, April 2013, http://www.kbs-frb.be/uploadedFiles/2012-KBS-FRB/05%29_Pictures,_documents_and_external_sites/09%29_Publications/VDG_rapport_ENG_final_website.pdf.

Jackson, T. (2009). *Prospérité sans croissance, la transition vers une économie durable*. Namur and Bruxelles: Etopia & De Boeck.

Kahneman, D. and A. Deaton (2010). High income improves evaluation of life but not emotional well-being. *Proceedings of the National Academy of Sciences of the United States of America*, Vol. 107, No. 38, pp. 16489-1649, 21 September 2010.

Kennedy, R. (1968). Available at: http://www.jfklibrary.org/Research/Research-Aids/Ready-Reference/RFK-Speeches/Remarks-of-Robert-F-Kennedy-at-the-University-of-Kansas-March-18-1968.aspx.

Kuznets, S. (1934). National Income, 1929–1932. 73rd US Congress, 2d Session, Senate document no. 124, p. 7. http://library.bea.gov/u?/SOD,888.

Layard, R. (2003). Happiness: Has Social Science a Clue. Lionel Robbins Memorial Lectures 2002/3. 3, 4, 5 March 2003, London School of Economics. Available at: http://cep.lse.ac.uk/events/lectures/layard/RL030303.pdf

Layard, R. (2005). *Happiness: Lessons from a New Science*. London: Penguin.

OECD (2011a). How's Life? Measuring well-being. Paris: OCDE Publishing Available at: *http://www.oecd-ilibrary.org/economics/how-s-life_9789264121164-en*

OECD (2011b). Compendium of OECD Well-being Indicators. Paris: OECD Publishing.

OECD (2011). Growing Income Inequality in OECD Countries: What Drives it and How can Policy Tackle it, Paris:

OECD Publishing. Available at: http://www.oecd.org/els/soc/47723414.pdf

OECD (2012). Household saving rate. In *National Accounts at a Glance* 2011, Paris: OECD Publishing. Available at: http://dx.doi.org/10.1787/na_glance-2011-10-en

OECD (2012), Health data

Stevenson, B. and J. Wolfers (2008). Economic Growth and Subjective Well-being: Reassessing the Easterlin Paradox. IZA DP No. 3654. Bonn: IZA. Available at: http://ftp.iza.org/dp3654.pdf.

Stiglitz, J. (2002). Employment, social justice and societal well-being. *International Labour Review*, Vol. 141, No. 1, pp. 9-28.

Stiglitz J. (2012), *The Price of Inequality: How Today's Divided Society Endangers Our Future*. New York: W.W. Norton & Company, Inc.

Stiglitz J., A. Sen and J.-P. Fitoussi. (2009). Report by the Commission on the Measurement of Economic Progress and Social Progress, http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf.

United Nations Development Programme. *Human Development Report 1999: Globzation with a Human Face.* http://hdr.undp.org/en/reports/global/hdr1999/

Tversky, A. and D. Kahneman (1991). Loss Aversion in Riskless Choice: A Reference-Dependent Model. *The Quarterly Journal of Economics,* MIT Press, Vol. 106 No. 4, pp 1039-61, November.

Wilkinson R. and K. Pickett (2009). The Spirit Level. *Why greater equality makes societies stronger*. New York: Bloomsbury Press.

World Bank (2011). Developing Trends: March 2011. Available at: http://siteresources.worldbank.org/INTDAILYPROSPECTS/Resour ces/1324037-1124814714238/1584361-1300457735614/STRMG_Mar11.pdf

Annex

LEGEND

Colours	Rank Belgium
	1 to 6
	7 to 12
	13 to 18
	19 to 24
	25 to 30
	31 to 36

Headline indicators and components	Score Belgium	OECD average	Rank OECD countries (/36)	Extra information (if available)	Top 10
HOUSING	7.1		6		US, Canada, Ireland, Norway, Belgium, the Netherlands, Spain, Portugal, France, New Zealand
Rooms per person	2.2	1.6	5		
Dwelling with basic facilities	98.60%	97.80%	25		
Housing expenditure	20%	21%	12		
INCOME	6.1		4	Social inequality: 3.9[1] (rank: 8)	US, Switzerland, Luxemburg, Belgium, Canada, Japan, UK, the Netherlands, Austria, Germany
Household net-adjusted disposable income	26,874 US$	23,047 US$	11		
Household financial wealth	74,007 US$	40,516 US$	4		

Headline indicators and components	Score Belgium	OECD average	Rank OECD countries (/36)	Extra information (if available)	Top 10
JOBS	6.7		16		Switzerland, Norway, Luxembourg, the Netherlands, Austria, UK, Iceland, Australia, Canada, Denmark
Employment rate	62%	66%	25	Trend: annual increase since 1995: +0.6% Gender inequality: 1.18[2] (rank: 22) Social inequality: 2.09 (rank: 24)	
Long-term unemployment rate	3.45%	3.1%	26	Trend: annual increase since 1995: -3.2% Gender inequality: 1.07 (rank: 7) Social inequality: 3.45, (rank: 22)	
Personal earnings	44,321 US$	34,466 US$	8	Trend: annual increase since 2005: +0.1% Gender inequality: 1.11 (rank: 5) Social inequality: 1.73 (rank: 3)	
Job security	7.45%	10%	8	Gender inequality: 1.04 (rank: 10)	
COMMUNITY	7.6		18		Iceland, Ireland, UK, Switserland, the Netherlands, Denmark, Canada, Austria, Australia, Spain
Quality of support network	92%	90%	18	Gender inequality: 1.01 (rank: 9) Social inequality: 1.07 (rank: 16)	
EDUCATION	7.4		15		Finland, Japan, Sweden, Republic of Korea, Poland, Germany, Australia, Estonia, Slovenia, Canada
Years in education	18.7	16.5	5	Gender inequality: 1.06 (rank: 24)	
Student skills	509	497	11	Gender inequality: 1.00 (rank: 1) Social inequality: 1.29 (rank: 34)	
Educational attainment	70%	74%	28	Trend: average annual increase since 2000: +1.9% Gender inequality: 1.02 (rank: 6)	

1 'Social inequality' compares the country scores with respect to social inequalities. The higher the score, the wider the gap. A score of 1 means that there are equal conditions regardless of economic or social status.

2 'Gender inequality' compares the country scores with respect to gender. The higher the score, the wider the gap. A score of 1 means that there are equal conditions regardless of gender.

Headline indicators and components	Score Belgium	OECD average	Rank OECD countries (/36)	Extra information (if available)	Top 10
ENVIRONMENT	6.9		25		Sweden, UK, Norway, Iceland, Denmark, Germany, Finland, Australia, New Zealand, Luxembourg
Water quality	80%	84%	22	Gender inequality 1.04 (rank: 24) Social inequality: 1.11 (rank: 33)	
Air pollution	21mg	21mg	22	Trend: average annual increase since 1990: -2%	
CIVIC ENGAGEMENT	5.9		15	People saying they trust their political institutions: Belgium: 46%, OECD: 56%	Australia, Sweden, Korea, New Zealand, UK, Denmark, Luxembourg, Austria, Norway
Consultation on rulemaking	4.5 index		30	Trend: average annual increase since 2005: +4,0%	
Voter turnout	89%	72%	3	Trend: average annual increase since 1981: –0.2% Gender inequality: 1,04 (rank: 21)	
HEALTH	7.8		18	Health spending: Belgium 10.5% GDP, OECD 9.5%, per person: Belgium 3969 US$, OECD 3268 US$	New Zealand, Australia, Switzerland, Canada, Israel, Iceland, Sweden, Spain, Ireland, US
Self-reported health	73%	69%	14	Trend: average annual increase since 2004: 0.2% Gender inequality: 1.05 (rank: 13)	
Life expectancy	80.5	80	23	Trend: average annual increase since 1960: +0,3% Gender inequality: 1,07 (rank 18)	
LIFE SATISFACTION	7.3		17		Switzerland, Norway, Iceland, Sweden, Denmark, the Netherlands, Finland, Canada, Austria, Mexico
Life satisfaction	6.9	6.6	17	Gender inequality: 1.03 (rank: 20) Social inequality 1.22 (rank: 27)	

Headline indicators and components	Score Belgium	OECD average	Rank OECD countries (/36)	Extra information (if available)	Top 10
SAFETY	7.4		30		Japan, Canada, Poland, UK, Australia, New Zealand, Iceland, Ireland, Austria, Republic of Korea
Homicide rate	1.7/100,000	2.2	24	Trend: average annual increase since 1995: +1.2% Gender inequality: 1.47 (rank: 8)	
Assault rate	6.67% of population/y	4%	33	Gender inequality: 1.13 (rank: 9)	
Feeling safe	68%	67%			
WORK-LIFE BALANCE	9.1		4		Denmark, the Netherlands, Norway, Belgium, Spain, Sweden, Russia, Ireland, Luxembourg, Germany
Time devoted to leisure and personal care	15.71h		3	Gender inequality: 1.02 (rank: 10)	
Employees working very long hours	4.43%		13	Trend: average annual increase since 2004 -0.5% Gender inequality: 3.09 (rank: 13)	

Source: OECD

SERIES

Friday Group
Beyond GDP: towards a country where life is really good

Deze publicatie bestaat ook in het Nederlands onder de titel:
Voorbij BBP: naar een land waar het echt goed leven is

Cette publication est également disponible en français sous le titre:
Au-delà du PIB : pour un pays où il fait vraiment bon vivre

A publication of the King Baudouin Foundation,
rue Brederode 21, 1000 Brussels

AUTHORS

Naïm Cordemans
Benoît Decerf
Ferdi De Ville

THE FRIDAY GROUP

The Friday Group brings together a collective of young professionals from diverse backgrounds who wish to reflect on the future of our society.

COORDINATION KING BAUDOUIN FOUNDATION

Brigitte Duvieusart

GRAPHIC CONCEPT
LAYOUT

Klaas Van de Moortel
www.klaasvdm.be

This publication can be downloaded free of charge from
www.kbs-frb.be and from www.fridaygroup.be

LEGAL DEPOSIT: *D/2893/2013/25*
ISBN-13: *978-90-5130-825-9*
EAN: *9789051308259*
ORDER NUMBER: *3183*

October 2013

FRIDAY
GROUP